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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/806,572	03/22/2004	Judith Klugman	271189US28	2201
22850	7590	01/08/2009	EXAMINER	
OBLON, SPIVAK, MCCLELLAND MAIER & NEUSTADT, P.C. 1940 DUKE STREET ALEXANDRIA, VA 22314			TRAN, HAI	
			ART UNIT	PAPER NUMBER
			3694	
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			01/08/2009	ELECTRONIC

**Please find below and/or attached an Office communication concerning this application or proceeding.**

The time period for reply, if any, is set in the attached communication.

Notice of the Office communication was sent electronically on above-indicated "Notification Date" to the following e-mail address(es):

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<b>Office Action Summary</b>	<b>Application No.</b> 10/806,572	<b>Applicant(s)</b> KLUGMAN, JUDITH	
	<b>Examiner</b> HAI TRAN	<b>Art Unit</b> 3694	

**-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --**

**Period for Reply**

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

**Status**

- 1) ☒ Responsive to communication(s) filed on 21 August 2008.
- 2a) ☐ This action is **FINAL**.                      2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

**Disposition of Claims**

- 4) ☒ Claim(s) 1-12 and 15-23 is/are pending in the application.
- 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 1-12 and 15-23 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

**Application Papers**

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on \_\_\_\_\_ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.  
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

**Priority under 35 U.S.C. § 119**

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All    b) ☐ Some \*    c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
2. ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

**Attachment(s)**

- |  |   |
|--|---|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892)          | 4) <input type="checkbox"/> Interview Summary (PTO-413)           |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948) | Paper No(s)/Mail Date. _____                                      |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO/SB/08)          | 5) <input type="checkbox"/> Notice of Informal Patent Application |
| Paper No(s)/Mail Date _____  | 6) <input type="checkbox"/> Other: _____                          |

### **DETAILED ACTION**

1. This is the communication in response to the Remarks/Arguments filed on August 21, 2008 for application, titled: "Flexible Catastrophe Bond".
2. Claims 13 and 14 have been cancelled. Accordingly, claims 1-12 and 15-23 remain pending in this application and have been examined.

### ***Priority***

3. This application claims the benefit of U.S. Provisional Patent Application No. 60/457,423, filed on 03/24/2003.

### ***Claim Rejections - 35 USC § 101***

4. 35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

5. Claims 1-12 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter.
6. Claims 1-12 recite method directed to purely mental steps. In order for a method to be considered a "process" under §101, a claimed process must either: (1) be tied to another statutory class (such as a particular apparatus) or (2) transform underlying subject matter (such as an article or materials). *Diamond v. Diehr*, 450 U.S. 175, 184 (1981); *Parker v. Flook*, 437 U.S. 584, 588 n.9 (1978); *Gottschalk v. Benson*, 409 U.S. 63, 70 (1972); *Cochrane v. Deener*, 94 U.S. 780, 787-788 (1876). If neither of these requirements is met by the claim, the method is not a patent eligible process under

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§101 and is non-statutory subject matter. Thus, to qualify as a statutory process, the claim should positively recite the other statutory class (the thing or product) to which it is tied, for example, by identifying the apparatus that accomplishes the method steps, or positively recite the subject matter that is being transformed, for example, by identifying the material that is being changed to a different state.

7. Here, Applicant's method steps, fail the first prong of the new Federal Circuit decision since they are not tied to another statutory class and can be performed without the use of a particular apparatus. Further more, the method steps fail to transform the underlying subject matter to a different state or thing. The mere establishing and construction of non-functional descriptive material (i.e. a risk instrument) is not a transformation because a risk instrument is a contract and is not statutory subject matter. Thus, claims 1-12 are non-statutory since they are not tied to another statutory class and they do not transform underlying subject matter to a different state or thing.

### ***Response to Arguments***

8. Applicant's arguments with respect to claims 1-23 have been considered but are moot in view of the new ground(s) of rejection.

### ***Claim Rejections - 35 USC § 103***

9. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the

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invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

10. Claims 1-12 and 15-23 are rejected under 35 U.S.C. 103(a) as being unpatentable over Lange (U.S. Patent Applicant Publication No. 2002/0147670) (“Lange”) in view of General Accounting Office (“Catastrophe Insurance Risks, The Role of Risk-Linked Securities and Factors Affecting Their Use”, dated September 2002) (“GAO”).

Examiner’s Note: Examiner has cited particular columns and line numbers in the references as applied to the claims for the convenience of the applicant. Although the specified citations are representative of the teachings in the art and are applied to the specific limitations within the individual claim, other passages and figures may apply as well. It is respectfully requested from the applicant, in preparing the responses, to fully consider the references in entirety as potentially teaching all or part of the claimed invention, as well as the context of the passage as taught by the prior art or disclosed by the examiner.

11. **With respect to Claim 1**, Lange teaches a method of securitizing natural catastrophe risk, comprising:

establishing one or more risk classes, each risk class representing one or more natural catastrophe risks (see GAO, pages 3-5 “natural disasters, such as hurricanes, earthquakes, and tornadoes”), each risk class being recurrently issuable as risk instruments providing a return on an investment (see GAO, Figure 4, page 14 “U.S. Reinsurance Prices”), the amount of the return for a risk instrument being contingent upon the occurrence of a realization event for the corresponding represented natural catastrophe risk (see GAO, pages 16-22 “earthquake reaching 7.2 in moment magnitude as reported by U.S. Geological Survey” in page 20; see Figure 1, page 10 for Catastrophe Risks in the United States); and

issuing a first collection of risk instruments of a first risk class of the one or more risk classes (see paragraph 46, 222).

Lange discloses an electronic options market place providing a demand-based adjustable return (DBAR) trading, but does not explicitly teaches catastrophe risk securitization. However, GAO teaches the catastrophe insurance risks and how to securitizing the catastrophe risks. It would have been obvious to one of ordinary skill in the art at the time of the invention to modify Lange's invention to include the feature of catastrophe risk securitization to offer an improved system and method to achieve different risk and return profiles to customers as described in Lange (see paragraph 1448).

12. **With respect to Claim 2**, Lange teaches that the method of claim 1, wherein the one or more risk classes include a plurality of risk classes each representing an individual natural catastrophe risk, and one or more risk classes representing a combination of natural catastrophe risks represented by two or more of the plurality of risk classes (see paragraphs 526-530).

13. **With respect to Claim 3**, Lange teaches that the method of claim 2, wherein the individual natural catastrophe risks are not correlated (see paragraph 698)

14. **With respect to Claim 4**, Lange teaches that the method of claim 1, wherein issuing the first collection of risk instruments includes issuing the first collection of risk instruments on a first issue date; the method further comprising:

issuing a second collection of risk instruments of the first risk class on a second issue date, the second issue date being after the first issue date (see paragraph 46, 222).

15. **With respect to Claim 5**, Lange teaches that the method of claim 4, wherein the risk instruments of the first risk class have an associated plurality of terms, the plurality of terms including class terms and series terms, the class terms being defined for all risk instruments of the first risk class during the establishing of the first risk class, the series terms being defined for risk instruments of a given collection of risk instruments of the first series at the time of issuance of the collection, the series terms including an interest spread defining an amount payable to an investor, and a maturity date defining a date on which a principal amount will be returned to the investor if no realization event has occurred (see paragraphs 220-227).

16. **With respect to Claim 6**, Lange teaches that the method of claim 1, wherein the risk classes represent natural catastrophe risks selected from the group consisting of hurricanes, windstorms, floods, and earthquakes (see paragraphs 222, 523, 527).

17. **With respect to Claim 7**, Lange teaches that the method of claim 1, wherein the risk classes categorize natural catastrophe risks by region or by time period (see paragraphs 267, 223, 535).

18. **With respect to Claim 8**, Lange teaches that the method of claim 1, wherein the realization event for a given risk class is defined as an occurrence of an event meeting a predetermined impact threshold (see paragraphs 53, 62).

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19. **With respect to Claim 9**, Lange teaches that the method of claim 8, wherein the occurrence of an event meeting a predetermined impact threshold is determined according to an index of physical parameters (see paragraphs 221-222, 527).

20. **With respect to Claims 10-12**, these claims correspond to claims 1-9 including receiving and distributing the financial instruments and have the same limitations as in claims 1-9. Hence, they are rejected under the same rationale provided in claims 1-9.

21. **With respect to Claims 15-23**, these claims include the computer-executable programs for implementing the method claims 1-12 and have the same limitations as in claims 1-12. Hence, they are rejected under the rationale provided in claims 1-12.

### ***Conclusion***

22. Claims 1-12 and 15-23 are rejected.

23. Any inquiry concerning this communication or earlier communications from the examiner should be directed to HAI TRAN whose telephone number is (571)272-7364. The examiner can normally be reached on M-F, 9-4 PM.

24. If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, James P. Trammell can be reached on (571) 272-6712. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

25. Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR.



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Status information for unpublished applications is available through Private PAIR only.

For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

/H. T./

Examiner, Art Unit 3694

/James P Trammell/

Supervisory Patent Examiner, Art Unit 3694